

The acquisition of Gainey Ranch Town Center has officially pushed the Fund to over \$500 million in AUM and over 3 million total square feet.

# QUARTERLY REPORT

2nd Quarter 2022

### Investor Survey

Click the survey button to indicate investment objectives and capital availability.



### Investor Events

Learn more about our upcoming events and sign up to attend.



Dear Investors,

We are pleased that the Fund continued its consistent high performance in the second quarter. Realized returns were 15.71% for the quarter which was entirely derived from operations as there were no asset sales this quarter.

We acquired two Class A office buildings in Scottsdale at a price that will provide attractive long-term returns and added two additional small net-leased retail developments. The acquisition of Gainey Ranch has officially pushed the Fund over \$500 million in AUM and over 3 million total square feet.

Office leasing remains mixed; we continue to sign new leases, but we did receive notice that one larger tenant (Alstate) will be vacating at the end of their lease term, and another large tenant (AAA) will be downsizing. The team and our broker partners are actively working on backfilling this space and leasing all our vacancies. Overall portfolio occupancy stands at a healthy 87% and while not ideal, some turnover is a natural byproduct of a large portfolio.

In relation to leasing activity, Decker Lake recently reached 100% leased and we were able to refinance the loan this quarter. Due to the significant value we have added to the asset (100% occupancy at acquisition to 100% leased currently), we were able to pull a significant amount of capital out of the asset and lower the fixed interest rate while maintaining a very attractive debt service coverage ratio. This is the ideal scenario for the Fund; we were able to utilize low-cost non-dilutive capital while maintaining ownership of a high performing asset.

We continue to monitor the interest rate environment and its potential impact on both residential and commercial real estate. Recently rates have stabilized, and we are seeing more activity in the residential space. The vast majority of our commercial loans remained fixed, and we consider refinancing on a case-by-case basis.

Thank you again for your partnership. We are looking forward to continued sustainable growth with you, our valued investor partners.

Trevi Barney, Chief Executive Officer  
Alturas Capital Partners, LLC

Blake Hansen, Chief Investment Officer  
Alturas Capital Partners, LLC

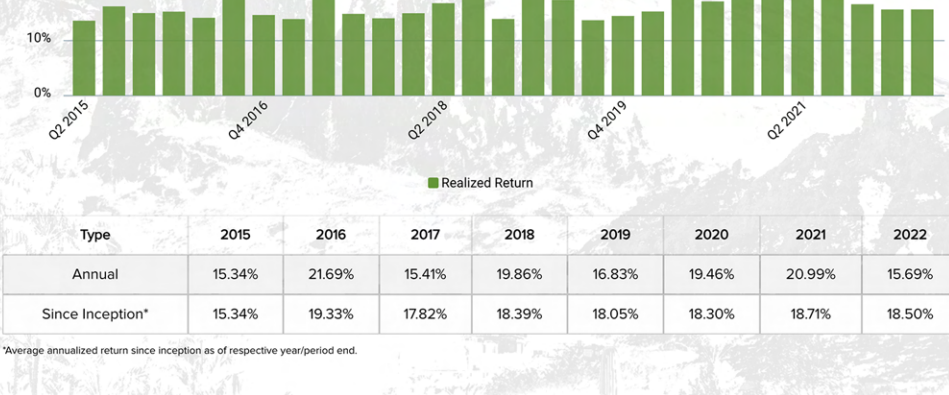
## Key Numbers



Stated returns are average annualized investor returns. Individual investor returns may vary based on the unit pricing at the time of investment. Distributable net income includes realized gains and losses and excludes unrealized gains and losses recorded during the period. Financial information herein related to the quarters ended in 2022 are unaudited as of the date of this report.

Photo: Airport Center - Chandler, AZ

## Realized Returns



Type	2015	2016	2017	2018	2019	2020	2021	2022
Annual	15.34%	21.69%	15.41%	19.86%	16.83%	19.46%	20.99%	15.69%
Since Inception*	15.34%	19.33%	17.82%	18.39%	18.05%	18.30%	18.71%	18.50%

\*Average annualized return since inception as of respective year-period end.

## Unit Price



Quarter	2015	2016	2017	2018	2019	2020	2021	2022
Q1		\$1,188.86	\$1,280.86	\$1,388.41	\$1,394.00	\$1,472.61	\$1,553.67	\$1,616.47
Q2	\$1,000.00	\$1,274.41	\$1,299.39	\$1,389.45	\$1,425.74	\$1,495.09	\$1,548.83	\$1,635.09
Q3	\$1,000.00	\$1,218.00	\$1,356.38	\$1,370.75	\$1,438.49	\$1,498.83	\$1,544.69	\$1,635.09
Q4	\$1,000.00	\$1,254.26	\$1,369.28	\$1,393.51	\$1,473.70	\$1,501.21	\$1,584.06	

## Additional Fund Metrics

- \$140.36M Aggregate capital raised
- \$35.66M Investor distribution since inception
- 225+ Number of investors
- 68.75% Current reinvestment rate
- \$1,635.09 Unit price
- 87.05% Portfolio occupancy rate
- 3.11M SF Total portfolio square footage
- \$522.26M Assets under management

\*Distributions since inception includes Q2-2022 distributions paid on 06/30/2022. Photo: Siete Square II - Phoenix, AZ

## New Acquisitions

Photo: Gainey Ranch Town Center - Scottsdale, AZ

**Gainey Ranch Town Center**  
Scottsdale, AZ  
Office  
127,064 SF

**Take 5**  
Meridian, ID  
Retail (Built-to-Suit)  
1,400 SF

**Take 5**  
Caldwell, ID  
Retail (Built-to-Suit)  
1,400 SF

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## Acquisitions Pipeline

**The Point**  
Englewood, CO | Office | 190,334 SF

**Brightstar**  
Boise Metro Area | Senior Living (Built-to-Suit) | 11 Locations

**House of Design**  
Nampa, Idaho | Industrial (Build-to-Suit) | 120,000 SF

**Take 5**  
Idaho Falls, ID | Retail (Build-to-Suit) | 1,400 SF

## Portfolio at a Glance

Portfolio

As the office market continues to evolve, some trends appear to be materializing. There is still uncertainty among the larger format office users. In particular, most call centers seem to have adopted a work-from-home strategy. Fortunately, we do not have many of these tenants in the portfolio but where we do, those tenants are either downsizing or vacating at lease maturity. The Alstate and AAA leases referenced in the Manager Letter fall into this category. But this also highlights the importance of having a large, diversified portfolio across multiple product types and various tenant industries. While there may be weakness in one area or subsector, the impact is relatively muted thanks to other areas that are performing well. For context, these two tenants only represent approximately 3% of the total revenue of the portfolio. Having an existing tenant downside or vacate is never ideal but the portfolio remains strong and we are already hard at work with our broker partners to backfill these spaces. As always, we continue to actively manage the portfolio to maximize cash flow and realize the full potential of all our investments.

## Current Investments

- 46 Total properties
- 3.11M Total portfolio SF
- 87.05% Occupancy rate
- 480,135 Cost basis (\$'000)

## Tax Update

	Estimated Average Before Tax Returns*	Estimated Average After-Tax Return**
2016	21.69%	18.30%
2017	15.41%	14.46%
2018	19.86%	16.43%
2019	16.83%	17.46%
2020	19.46%	22.64%
2021	20.99%	21.39%

\*Returns are average annual returns. Actual returns for each investor will vary based on the unit price paid for units held.  
\*\*Assumes all investors pay an average blended federal tax rate of 37% on ordinary income and 20% on capital gains and excludes the impact of state income taxes. Actual tax rates will vary for each investor.

2021 income tax returns for the Fund and all of its properties have been filed and k-1's were distributed in June to all investors.

The Fund is generally able to provide excellent after-tax returns to investors for a number of reasons. Income generation and/or asset appreciation of course produce the returns, but optimizing the tax character of those returns to maximize after-tax returns is also an important aspect of the Fund's management. Fortunately, there are a number of tax advantages available to Fund investors which helps to maximize after-tax returns.

In addition to the recurring depreciation deductions the Fund generates each year, in 2021 the Fund utilized cost-segregation studies on a small number of the Fund assets to accelerate depreciation and took advantage of additional bonus depreciation that became available as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These strategies created significant incremental tax savings resulting in higher average estimated after-tax returns than before-tax returns as shown in the table to the left.

Every investor's situation is different, but this means on average our investors paid no tax on the significant returns generated in 2021.

## Fund Description

Learn More

The Alturas Real Estate Fund, LLC was formed by Alturas to provide accredited investors access to professionally managed real estate investments. The Fund is a \$500 million equity offering created to make commercial and residential real estate investments. It targets middle-market properties frequently ignored by larger funds. These properties can be profitable as a diverse portfolio.

The Fund was created in May 2015 and owns properties in the Intermountain West and Inland Northwest. Managers of the Fund are continually searching for new properties to add to the Fund that meet strict underwriting criteria including a margin of safety, with a focus on cash flows.

## Summary of Debt Offering

Interest rate	6-8% paid quarterly
Investment type	Secured notes
Security	Subordinate to property debt; senior to equity
Term	24-60 months
Minimum investment	\$250,000
Investor eligibility	Accredited investors
Short-Term alternative	6-12 month revolving line of credit

## Summary of Equity Offering

Targeted returns	9-14%
Preferred return	8% paid quarterly
Profit split	70% investors, 30% manager after preferred return
Fees	1.5% asset management fee
Minimum investment	\$250,000
Investor eligibility	Accredited investors
Lockup period	24 months

All projections are hypothetical and predicated upon various assumptions that may or may not be identified as such. The future operating and financial performance information contained herein is for illustrative purposes and is not intended to portray any sort of targeted or anticipated returns. There can be no assurance that the Fund will achieve its investment objectives and actual performance may vary significantly.

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